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CANYON CREEK FOOD COMPANY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2001 AND 2000

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Canyon Creek Food Company Ltd.

We have audited the consolidated balance sheets of Canyon Creek Food Company Ltd. as at May 31, 2001 and 2000 and the consolidated statements of loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2001 and 2000 and the results of its operations and the changes in its cash flows for each of the years then ended in accordance with generally accepted accounting principles.

Manning Elliott

CHARTERED ACCOUNTANTS
October 15, 2001
Vancouver, BC

CANYON CREEK
SOUP COMPANY LTD

October 17, 2001

The year ended May 31st, 2001 was a tough year for Canyon Creek and the food manufacturing industry in general.

Higher production costs associated in the areas of ingredients, packaging, utilities, royalties and labour amounted to approximately $315,000, resulting in the company showing a loss from operations.

Our sales base remained throughout the year and although the start of the current fiscal year was slower than expected, we expect to increase our volumes with the addition of additional national chain accounts that Canyon Creek has had ongoing discussions with for the past year.

Our resolve to commit to bringing our company into a profitable state was severely hampered over the last twelve months, but we are currently embarking on additional ventures on the production side of the operations that will claw back any increases that have restricted our growth over the past year.

We are also exploring additional avenues of increasing our customer base and have recently signed on with a national food broker that will provide access to previously closed markets.

As usual, our employees, officers, directors, consultants and suppliers have given tremendous service, loyalty and dedication to the company and remain focused in improving the results over the past year.

Currently we have taken measures to reduce certain administrative costs over the long-term and we anticipate these savings in conjunction with the necessary increase in sales and the potential of reducing production expenses will bring this company into a profitable state.

We are not pleased with our progress over the past year but remain positive about the future and with the continued support of our customers and resilient efforts from our employees, we will rebound successfully.

Our focal point remains to deliver an outstanding product at a competitive price. Thank you for your patience.

Sincerely,

"Dale Cook"
President and CEO

Canyon Creek Food Company Ltd.
Consolidated Balance Sheets
As At May 31,

	2001	2000
ASSETS		
CURRENT		
Cash	$ -	$ 40,907
Accounts receivable	329,894	473,398
Inventory	867,766	627,644
Prepaids and other current assets	30,298	34,055
	1,227,958	1,176,004
LICENSE (Note 3)	1,004,512	1,099,557
CAPITAL ASSETS (Note 4)	1,880,999	2,096,568
OTHER ASSETS	249,171	126,135
	$ 4,362,640	$ 4,498,264
LIABILITIES		
CURRENT		
Bank indebtedness (Note 5)	$ 467,587	$ 350,000
Accounts payable and accruals	484,778	547,218
Current portion of long-term debt (Note 6	170,468	93,714
	1,122,833	990,932
LONG-TERM DEBT(Note 6)	1,144,108	683,060
	2,266,941	1,673,992
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	8,271,992	8,121,992
DEFICIT	(6,176,293)	(5,297,720)
	2,095,699	2,824,272
	$ 4,362,640	$ 4,498,264

Committment (Note 9)
Subsequent Events (Note 11)

Approved on behalf of the Board:

"Dale Cook"
Dale Cook - Director

"Brian Halina"
Brian Halina - Director

The accompanying notes are an integral part of these consolidated financial statements

Canyon Creek Food Company Ltd.
Consolidated Statements of Loss and Deficit

For The Years Ended May 31,	2001	2000
SALES		
Food service	$ 3,919,679	$ 3,951,896
Retail	1,539	28,150
	3,921,218	3,980,046
COST OF GOODS SOLD		
Purchases and other direct costs	3,036,177	2,850,802
Royalties	164,746	140,394
	3,200,923	2,991,196
GROSS PROFIT	720,295	988,850
SELLING EXPENSES		
General selling	295,701	305,991
Advertising	40,046	28,799
Bad debts	0	1,436
Wages and benefits	99,252	80,939
	434,999	417,165
ADMINISTRATIVE EXPENSES		
Interest on long-term debt	67,422	52,925
Office and general	225,456	163,681
Professional fees	14,881	56,025
Wages and benefits	431,851	410,101
	739,610	682,732
LOSS BEFORE THE FOLLOWING	(454,314)	(111,047)
AMORTIZATION	(424,259)	(520,923)
NET LOSS FOR THE YEAR	(878,573)	(631,970)
DEFICIT, beginning of year	(5,297,720)	(4,665,750)
DEFICIT, end of year	$ (6,176,293)	$ (5,297,720)
LOSS PER SHARE	($0.04)	($0.03)

The accompanying notes are an integral part of these consolidated financial statements

Canyon Creek Food Company Ltd.
Consolidated Statements of Cash Flows

For The Years Ended May 31,		**2001**		**2000**
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Net loss for the year	$	(878,573)	$	(631,970)
Add items not involving cash:				
Amortization		424,259		520,923
Gain on disposal of capital assets		0		(2,984)
		(454,314)		(114,031)
Net change in non-cash working capital items		(278,336)		(71,978)
		(732,650)		(186,009)
FINANCING ACTIVITIES				
Issuance of shares for cash		0		625,000
Private placement subscription		150,000		(375,000)
(Decrease)Increase in long-term debt, net of repayments		537,802		(86,929)
		687,802		163,071
INVESTING ACTIVITIES				
Acquistion of capital assets		(113,646)		(158,001)
Proceeds from disposal of capital assets		0		35,961
				(112,620)
		(113,646)		(234,660)
DECREASE IN CASH		(158,494)		(257,598)
CASH (CASH DEFICIENCY), BEGINNING OF YEAR		(309,093)		(51,495)
CASH (CASH DEFICIENCY), END OF YEAR	$	(467,587)	$	(309,093)
CASH (CASH DEFICIENCY) IS REPRESENTED BY:				
Cash	$	-	$	40,907
Bank indebtedness		(467,587)		(350,000)
	$	(467,587)	$	(309,093)
Non-cash Financing Activites				
Supplementlal Disclosures				
Interest paid	$	67,422	$	86,543
Income tax paid	$	-	$	-

The accompanying notes are an integral part of these consolidated financial statements

NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS

The Company, through its wholly owned subsidiary Canyon Creek Soup Company Ltd., manufactures and markets soup, sauces and related food products. During July 1996, the Company acquired the license to manufacture and market soups and related products from Fortun Foods Inc., and commenced full-scale operations in its new manufacturing plant located in Edmonton, Alberta in December, 1996. The Company has not achieved profitable operations since inception and has suffered mounting losses of $6,176,293. This raises substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependant upon its succeddful efforts to raise additional debt or equity financings. See Note 11 regarding subsequent debt financing.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Canyon Creek Soup Company Ltd. ("CCS")

Foreign currency translation
The financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates, which prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the period. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results.

Inventory
Inventory is carried at the lower of average cost and net realizable value.

Capital assets
Capital assets are recorded at cost and are amortized over their estimated useful lives at the following rates:

Vehicle - 30% per annum, declining balance basis
Production equipment - 10% per annum, declining balance basis
Office equipment and furniture - 20% per annum, declining balance basis
Leasehold improvements - straight-line basis over 5 years

License
The Company acquired a manufacturing license pursuant to an agreement date July 3, 1996 for a term of 15 years. The license costs are being amortized over 14.5 years on a straight-line basis commencing January 1, 1997.

Loss per share
Loss per share has been calculated using the weighted monthly average number of shares outstanding during the respective fiscal periods.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Financial instruments

The fair value of the Company's current assets and current liabilities were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of the long-term debt is estimated to not be significantly different than its carrying value.

Cash and equivalents

The balance in cash and short-term investments consists of cash in bank accounts and short-term deposits with maturity dates of less than three months.

NOTE 3 - LICENSE

The Company entered into a manufacturing license and technical assistance agreement dated July 3, 1996 with Fortun Foods, Inc. a private Washington, USA corporation ("Licensor"), whereby the Company was granted a 15 year license to manufacture and market food products associated with the Licensor. As consideration for the license the Company paid $1,360,367 (US$1,000,000) and has capitalized direct costs of acquiring the license of $65,286. The Company must also pay royalties commencing December 10, 1997 of 3% in years one and two (minimum annual royalties of $84,000 and $140,000, respectively), 4% in year three (minimum annual royalties of $230,000), and 5% in year four and each year thereafter (minimum annual royalties of $384,000). Effective June 1, 1999, the Manufacturing License and Technical Assistance Agreement has been assigned from Fortun Foods Inc. to Stock Pot Soups Inc. of Redmond, Washington, USA, a division of Campbell's Soup Company of Camden, New Jersey, USA. Royalty expense in the current year was $164,746 as compared to last year's figure of $140,394.

NOTE 4 - CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2001	Net 2000
Vehicle	42,346	27,089	15,257	21,795
Production equipment	2,528,388	873,505	1,654,883	1,738,185
Office equipment	148,091	80,206	67,885	79,487
Leasehold improvements	1,014,599	871,625	142,974	257,101
	$ 3,733,424	$ 1,871,425	$ 1,880,999	$ 2,096,568

NOTE 5 - BANK LOAN

CCS has a line of credit from the Alberta Treasury Branch to a maximum of $500,000 subject to margin requirements. Interest is payable monthly on funds drawn at the bank's prime lending rate plus 1%. The loan is secured by a general security agreement, creating a first fixed charge over the assets of CCS, and a guarantee by the Company and is repayable in multiples of $25,000. At May 31, 2001 CCS had drawn down $300,500 on this line of credit. An additional $37.500 variable loan is repayable at a rate of $7,500 per month and bears interest at Prime plus 3%.

NOTE 6 - LONG-TERM DEBT

	2001	2000
Agriculture Financial Services Corporation Loan	$776,192	$581,683
Alberta Treasury Branch Loan - #2	18,383	25,091
Chemco Electric Corporation	520,000	170,000
	1,314,575	776,774
Less: current portion	(170,468)	(93,714)
	$1,144,107	$683,060

During November 1998 CCS arranged a $700,000 term loan from Agriculture Financial Services Corporation and repaid the outstanding ATB loan #1 with the balance used for working capital. This loan bears interest at 8.5% per annum and is repayable over five years at $10,975 per month, principal and interest, with a final payment of $242,214 due on November 11, 2003. This loan is secured by a general security agreement covering all property including a fixed charge over equipment, subject to a priority agreement in favour of the ATB for the line of credit, and has certain debt covenants. As at May 31, 2001, the working capital covenant of 1.5:1 was not met.

The Alberta Treasury Branch loan #2 bears interest at prime plus 1.5%, is repayable over five years at $725 per month, principal and interest, and is secured by equipment.

The Chemco Electric Corporation loans bear interest at 8% per annum as to $170,000 and $350,000 at Prime plus 6%. The terms are currently in the process of negotiation but it has been agreed that these loans will not be demanded within the next fiscal year.

Principal repayments for the next four years are as follows:

2002	$189,612
2003	$200,616
2004	$156,166
2005	$ 71,752

NOTE 7 - RELATED PARTY TRANSACTIONS

The following amounts have been recorded at their exchange amounts:

	2001	2000
a) Management fees and bonuses paid to a director	$125,500	$134,166
b) Consulting and professional fees incurred to directors and officers	$ 0	$ 30,501
c) The demand loan of $170,000 from a private company controlled by a director earns interest at 8% payable monthly. The demand loan of $350,000 bears interest at prime plus 6%.	$520,000	$170,000
d) Interest paid and /or accrued on the amounts in c) above	$ 18,748	$ 24,233

NOTE 8 - SHARE CAPITAL

Authorized: Unlimited number of common shares
Unlimited number of preferred shares, issuable in series

	Shares	Value
Issued:		
Balance at May 31, 1999	18,816,594	7,496,991
Issued during the year for cash	2,500,000	625,000
Balance at May 31, 2000	21,316,594	$ 8,121,991
Allotted and not issued during the year for cash (Note 11)	1,500,000	150,000
Balance at May 31, 2001	22,816,594	$ 8,362,991

(a) Escrowed shares

A total of 1,067,692 common shares are held in escrow to be released on an earn-out basis of one share for every $0.20 of profitable cash flow, subject to regulatory approval.

(b) Stock Options

Options outstanding as at May 31, 2001:

Number of shares	Exercise Price	Expiry Date
6,000	$0.33	January 4, 2004
300,000	$0.40	October 20, 2003
340,000	$0.32	May 20, 2003
422,535	$0.44	June 27, 2001
70,000	$0.44	July 8, 2001
50,000	$0.40	January 4, 2004
60,000	$1.10	July 17, 2001
384,000	$0.35	June 1, 2004

(c) Private placement and warrants outstanding

On June 1, 1999, the Company entered into an Equity Subscription Agreement with Earl's Restaurants Ltd. ("Earl's). The agreement is based on the Company issuing 1,000,000 units at a purchase price of $0.25 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at the price of $0.35 per share expiring June 1, 2002.

A performance option contained in the agreement allows Earl's the ability to earn the right to acquire 1 2/3rds common shares for each dollar of gross revenue it brings to the Company up to a maximum allotment of 5,000,000 common shares. The purchase price of such common shares will be $0.25 per share by June 1, 2000 expired, $0.30 per share by June 1, 2001 and $0.35 per share by June 1, 2002.

NOTE 9 - COMMITMENT

CCS rents its premises in Edmonton, Alberta under an operating lease agreement expiring August 14, 2006. Minimum annual rental payments under this lease for each of the next three fiscal years are as follows:

2002	105,000
2003	105,000
2004	105,000
	$ 315,000

NOTE 10 - INCOME TAXES

The Company and CCS have losses that are available to offset against future taxable income. The potential benefit of these losses is not reflected in these consolidated financial statements due to uncertainty of realization. The losses expire in the following years:

2002	$ 316,000
2003	557,000
2004	937,000
2005	664,000
2006	913,000
2007	162,000
2008	400,000
	$ 4,002,000

The Company has approximately $800,000 of excess tax basis in its capital assets in excess of net book value. The tax benefit will be recorded when realized.

NOTE 11 - SUBSEQUENT EVENTS

In June 2001 and October 2001, the Company received $40,000 and $25,000 respectively in demand loans from Chemco Electrical Contractors Ltd., a company controlled by a director. In July 2001, the Company issued 1,500,000 common shares at $.10 per share for a cash consideration of $150,000 received in fiscal 2001. These common shares come with 1,500,000 warrants, each warrant entitles the holder to acquire one additional share at $.10 per share expiring in July 2003.